

## FTC Actions Against Fraudulent Office Supply Telemarketers

### 1986

#### July

***FTC v. Copy Data Systems, Inc., and Ira J. Seaver***, No. 87-0495 (E.D. Va. filed July 1986)

- Toner in Culver City, California
- Targeted small businesses and non-profit groups
- Settlement in May 1987 provided \$300,000 in redress

***FTC v. North American Office Systems, Inc., National Copy Supply, Inc., United Photo Supply, Inc., Data/Mark Industries, Inc., and KG Industries, Inc., William H. Keller and Christopher Greenberg***, No. 3-86-1850-G (N.D. Tex. filed July 1986)

- Boiler rooms in Alabama, California and Texas
- Toner and other office supplies
- Settlement in April 1987 included \$60,000 payment

### 1987

#### October

***FTC v. Mytel International, Inc., and Gilbert Michaels***, No. 87-07259 JMI (GHKx) (C.D. Cal. filed October 1987)

- d/b/a District Distribution Center
- Scheme involved toner supply company and its telemarketing boiler rooms
- Settlement agreement filed November 1988
- Defendants agreed to pay \$250,000
- Civil contempt action filed in 1991 against Michaels for violating 1988 decree; stipulated order filed in 1992

### 1991

#### April

***FTC v. Mark Crittenden, Regional Supply Co., Regional Supply Center, Regional Copier Supply, United Supply Co., and Jamie Reiber***, No. CV 91-2019 JGD (Tx) (C.D. Cal.)

- TRO granted April 1991
- Case involved toner supply company and separate telemarketing boiler rooms
- Toner

- Settlement agreements filed July 1992
- Crittenden required to post \$200,000 performance bond
- \$240,000 in redress distributed to 860 businesses and non-profit groups

### 1994

#### July

***FTC v. Main Distribution Center, Inc., Corporate Business Products, Inc., Authorized Distribution Center, Inc., et al.***, No. 94-4467-SVW (SHx) (C.D. Cal.)

- TRO granted July 5, 1994
- Four individuals named as defendants
- Toner
- Settlement filed in court January 1995
- Individuals liable for almost \$1,200,000 in redress
- Three defendants barred from telemarketing

#### October

***FTC v. Central Supplies, Inc., Hitronics, Inc., and David C. Ashley***, Civ. No. 94 C 6391 (N.D. Ill.)

- TRO granted Oct. 25, 1994
- Defendants targeted churches and other non-profit groups
- Light bulbs, urinal deodorant blocks and cleaners
- Final order entered July 1995
- Individual required to post \$400,000 performance bond prior to telemarketing
- Almost \$44,000 in uncashed checks returned to consumers

#### November

***FTC v. United Wholesalers, Long Life Industries, International Research Corporation and Innovators of Success***, Civ. No. 94-8620-CIV-Moore (S.D. Fla.)

- TRO granted November 1994
- Four individuals named in complaint
- Defendants had three boiler rooms, two in Florida and one in New Jersey
- Final settlement agreement filed in court January 1996
- Defendants pay \$1.3 million to FTC in redress
- Individuals required to post \$500,000 performance bonds prior to telemarketing
- Cleaning supplies

## 1995

### June

***FTC v. North American Supply and American Computer Industries, Inc.***, No. CV-95-4264 LGB (AJWx) (C.D. Cal.)

- TRO granted June 1995
- Three individuals also named as defendants
- Toner, computer supplies, and other office supplies by allegedly misrepresenting existence of prior relationship and offering 30-day no-risk trial period
- Court entered final order settling case in November 1995
- Redress judgment set for \$1.8 million, with \$900,000 due immediately
- Approximately \$814,000 in redress distributed in 2001

## 1996

### March

***FTC v. MTK Marketing, Inc., et al.***, Civ. No. 96-230 LHM (EEX) (C.D. Cal.)

- TRO granted March 1996
- Complaint named 7 corporations and 8 individuals
- d/b/a District Supply Center, Central Supply Center and National Supply Center
- Copier toner
- Court entered final order against all individuals and one corporation in August 1996
- Redress to consumers totaled \$865,000
- Two defendants banned from telemarketing
- Six other individuals required to post bonds
- About \$1 million in redress to be distributed soon

***Consumer/Business Education Publication:***  
***Avoiding Office Supply Scams***

### June-July

#### **"Operation CopyCat" Sweep**

***FTC v. Michael Chierico, Teri Chierico, American Business Supplies, Inc., Interstate Office Systems, Inc., Nationwide Office Products, Inc., and Creative Business Consultants, Inc.***, No. 96-6671-CIV-Moore (S.D. Fla.)

- TRO granted June 28, 1996
- Sold copier machine toner by allegedly misrepresenting the existence of a prior relationship, among other deceptive sales practices
- Court entered final order November 1996
- Defendants paid \$1 million in redress

- Michael Chierico and wife must obtain performance bonds before engaging in telemarketing
- ***1998 CIVIL CONTEMPT ACTION Chierico II***
  - Individuals banned from telemarketing
  - Performance bond forfeited
  - Approximately \$4.8 million in redress ordered
  - Mediation resulted in defendants turning over \$2 million house

***FTC v. National Business Distributors Co. Inc., Raphael Ralph Azari and Deborah L. Azari***, No. CV 96-4470 JGD (Mcx) (C.D. Cal.)

- TRO granted June 25, 1996
- Computer ribbons, packaging tape and other office supplies
- Court entered final order November 1996
- Individual defendants required to pay \$200,000 in consumer redress, relinquish rights to assets of the corporation and to each obtain a \$200,000 performance bond prior to telemarketing
- About \$214,000 in redress distributed in 2001

***FTC v. Commercial Electrical Supply, Inc., and Michael C. Spence***, No. WMN 96-1982 (D. Md.)

- TRO granted June 26, 1996
- d/b/a Commercial Distributors, Kemtech Industries, Crown Electrical Supply and American Industrial Supplies
- Light bulbs, cleaning supplies and other office supplies to small businesses and non-profit organizations
- Court entered final order November 1996
- Individual defendant required to post a \$100,000 bond before engaging in telemarketing

***FTC, State of New Jersey and State of Michigan v. Sparta Chem, Inc., Compu-Kleen, Inc. and Dennis J. Saccurato***, Civ. No. 96-3228 (AMW) (D. N.J.)

- TRO granted July 1, 1996
- Industrial and office supplies, including cleaning solutions, oil absorbent and concrete cure
- Final settlement entered November 1996
- Commission obtained \$305,000 in redress
- State of New Jersey awarded \$50,000 in costs
- \$214,000 returned to 1,500 businesses

***FTC v. Michael McGowan, Industrial Chemical, Inc., and Amna Medical Products Corp.***, Civ. No. 96-3227 (AMW) (D. N.J.)

- TRO granted July 1, 1996
- d/b/a National Safety & Supply, Med-Amna Products and First Aide Care

- First-aid kits, rock salt and other office supplies to small businesses based on misrepresentations
- U.S. Postal Service filed complaint concurrently with FTC
- Settlement filed April 1997; bans McGowan from Telemarketing and imposes suspended judgment of \$317,000

## 1999

### February

#### **"Operation Clean Sweep"**

***FTC and State of Illinois v. National Maintenance Supply and Jack Nugent***, 99C-1057 (N.D. Ill.)

- Illinois files suit
- FTC joined Illinois lawsuit July 1999
- Fluorescent light bulbs and urinal deodorizers
- \$80,000 in redress
- Barred from selling office supplies
- Settlement filed February 2000

***FTC v. Southern Maintenance Supplies and Don Ashley***, 99C-0975 (N.D. Ill.)

- TRO granted February 1999
- Light bulbs and pine cleaner
- Court entered final order August 1999
- Defendants barred from telemarketing
- \$110,000 in redress

***Consumer/Business Education Publication: Avoiding Office Supply Scams*** (Revised)

### December

#### **"Operation Misprint"**

***FTC v. Business Services Center, Inc., Central Imaging Systems, Thomas Ford and Prudence Ford***, SACV99-1513 (C.D. Cal.)

- TRO granted December 1999
- Toner-phoner
- \$75,000 redress
- \$750,000 performance bond
- Final judgment entered September 2000

***FTC v. David Moreno***, 99-12837 (C.D. Cal.)

- dba Continental Business Systems, United Products,
- TRO entered December 1999
- Toner
- Banned from telemarketing
- \$130,000 in redress
- Final judgment entered December 2000

***FTC v. General Supply Centers, Inc. and Mark E. Gershick***, 99-12827 (MMM) (RZx) (C.D. Cal.)

- TRO entered December 1999
- Toner-phoner
- Final judgment entered April 2003; bans Gershick from telemarketing
- \$110,000 in redress
- \$165,000 in uncashed checks returned

***FTC v. International Business Network, Inc., Danny Yahalom and Oren Ben Elkanah***, 99-12831 (C.D. Cal.)

- TRO entered December 1999
- Toner-phoner
- Defendants banned from telemarketing
- \$85,000 in redress
- Final judgment entered December 2000

***FTC v. International Supply Center, Inc.***, 99 Civ 12163 (Sweet) (S.D.N.Y.)

- Preliminary Injunction entered
- Toner

***FTC v. Laser Express of Tennessee, Ltd., and Jeff Richfield***, No. 3:99-1135 (M.D. Tenn.)

- dba Laser Express Limited, Data Supply International, Cartridge Express Limited, International Cartridge Supply, International Data Supply Co., International Supply Co.
- Temporary restraining order entered December 1999
- Toner-phoner
- \$374,000 in redress
- Defendants banned from selling office supplies in order filed December 2000

***FTC v. Modern Concept Marketing, Inc.***, 99-13003 (C.D. Cal.)

- dba Central Data Supply
- TRO entered December 1999
- Toner-phoner
- \$2 million in redress sent to 28,000 businesses
- \$1 million performance bond
- Final order entered May 2001

***FTC v. National Supply & Distribution Center, Inc., Data Distribution Services, Steve Rayman, Larry Ellis, Lee Siegel and Scott Earl***, 99-12828 HLH (AJWx) (C.D. Cal.)

- TRO entered December 1999
- Toner-phoner
- Four individuals banned from telemarketing

- Almost \$700,000 for redress
- Final settlements entered May 2000 and February 2001

***FTC v. Nationwide Industrial Technologies Co., Inc.***, 99C-8164 (N.D. Ill.)

- TRO entered December 1999
- Light bulbs
- Final judgment entered February 2001

***FTC v. Quality Maintenance Supplies***, 99C-7946 (N.D. Ill.)

- TRO entered December 1999
- Cleaning supplies
- Settlement filed July 2000
- Defendants banned from telemarketing office supplies
- \$80,000 in redress

***FTC v. United Maintenance of Illinois Corp.***, 99C-8163 (N.D. Ill.)

- aka Maintenance Supplies, Inc.
- Three individuals
- TRO entered December 1999
- Cleaning supplies
- Final judgment entered February 2001

***United States v. Ultra Ribbons, Allstate Imaging, Inc., Russel Leventhal, Stuart Leventhal, Frank Montelione and Alan Jurick***, CV-00-04042R (C.D. Cal.)

- Settlement agreement provides \$500,000 under Telemarketing Sales Rule
- Approximately \$100,000 in redress
- Computer ribbons, printer cartridges
- Four individuals
- Final order filed April 2000

## 2000

### March

***Senate hearing on Scams that Target Small Businesses***

### September

***"Operation Copy Con"***

***FTC v. Allstate Business Distribution Center, dba Primary Distribution Center and Robert Matz***, 00-1-335AHM (CTx) (C.D. Cal.)

- Toner-phoner
- Complaint alleged that defendants assisted and facilitated others who engaged in deceptive practices
- Court entered final order June 2001
- \$10,000 for redress

***FTC v. Corporate Supplies, Larry Sarchenko and Robert Henkel***, 1-00-CV-2449-ODE (N.D. Ga.)

- TRO entered September 2000
- Toner-phoner
- Court entered final order March 2001
- Banned from engaging in sale of nondurable office supplies
- \$20,000 for redress

***FTC v. Pacific Office Systems, Suzette Oppenheim and Leslie Oppenheim***, 00-10293 DDP (CTx) (C.D. Cal.)

- TRO obtained September 2000
- Toner-phoner
- Banned from selling nondurable office supplies
- \$100,000 in redress
- Settlement entered July 2001

## 2001

### October

***"Operation Ditch the Pitch"***

***FTC v. The Pendleton Group d/b/a Product Distribution Center and Lakeshore Industries, and James C. Caouette***, 01-CV-930 (C.D. Cal.)

- TRO granted October 2001
- Toner-phoner
- Sent out own shipments and also used separate fulfillment house
- Defendants banned from office supply telemarketing
- Judgment of \$3.8 million entered (only \$35,000 collectable) in September 2002

### November

***Office Supply Fraud Workshop***

- Project BOSS (Banish Office Supply Scams) business and consumer education initiative announced

## 2002-2004

***FTC Regional Offices Promote Project BOSS Across Country***

### November 2002

***FTC v. Hanson Publications, Quebec, Inc., Associated Merchant Supplies, Inc., Albert Mougat, Adrian P. Towing and Charles Hamouth***, No. 1:02 CV 2205 (N.D. Ohio)

- Defendants operated out of Canada
- TRO entered November 2002
- Defendants employed 400 telemarketers
- Sold business directories, ribbons, cleaners, printer rolls

- Defendants banned from telemarketing directories and nondurable office supplies
- \$850,000 in redress ordered in January 2004
- Final orders entered in January and May 2004